

State of California
BOARD OF EQUALIZATION
USE FUEL TAX REGULATIONS

Regulation 1331.6. CREDIT FOR BAD DEBT LOSSES OF VENDORS.

Reference: Section 8732.5, Revenue and Taxation Code.

The amount of tax reported and paid by a vendor which is included in an account found to be worthless and charged off for income tax purposes, may be taken as a credit against the tax due on the use fuel tax return of the vendor. Allowance of the credit is subject to the limitation period prescribed in Section 8782 of the Revenue and Taxation Code and the other provisions of this regulation.

The right to the tax credit arises in the month in which the account is found to be worthless and charged off for income tax purposes. The credit should be taken on the return for the period in which the right to the credit arose. Failure to take this credit in the proper period will not prevent the allowance of a credit of the amount of tax for which the vendor was entitled to credit under this section.

A vendor using the reserve method to account for bad debts for income tax purposes should take the credit on the return for the period in which the account is found to be worthless and charged against the reserve.

No tax credit is allowable for any portion of a debt recovered that is retained by or paid to any person as compensation for his or her services or expenses in collecting the account.

If any account with respect to which credit has been taken is subsequently collected, in whole or in part, the vendor shall apply the amount collected ratably to the charges for the fuel and the tax thereon. If the purchaser is indebted to the vendor with respect to other items also charged off as bad debts, payments made on account thereof shall first be credited to the charges for the fuel and the tax thereon unless the purchaser shall specify otherwise. The tax thus collected shall be included in the return due for the period in which the collection is made and must be remitted to the Board within the time prescribed for payment of the tax due for that period.

Whenever any charge arising from the sale of fuel remains unpaid for a period of 90 days after the close of the calendar month in which the sale is made, or the account is found to be uncollectible prior to 90 days after the close of the calendar month in which the sale is made, that indebtedness is a delinquent account as to which the vendor shall report to the Board as herein specified. For the purpose hereof the date of the delivery invoice is deemed the date of sale.

The vendor shall file with each use fuel tax return a schedule listing the names and addresses of all purchasers whose accounts became delinquent within the meaning of the preceding paragraph as of the close of the reporting period for which the return is filed and remain unpaid at the time of such filing. The listing shall be accompanied by a notice of delinquent account on a form prescribed by the Board.

When the account of the purchaser is no longer delinquent or amounts remaining unpaid for over 60 days have been cleared and the vendor is satisfied that the remainder of the account will be paid, the vendor should complete the triplicate and quadruplicate of the Notice of Worthless Account (Bad Debts) form (BOE-120 Rev. 1 (7-98)) (incorporated herein by reference) by indicating the payments received. The triplicate (pink) of the Notice of Worthless Account (Bad Debts) form should be forwarded promptly to the Board.

Failure to list a delinquent account as herein required shall constitute a waiver of the credit that might otherwise be allowable for the amount of the delinquency under Section 8732.5 of the Revenue and Taxation Code in the event that the account is later found to be worthless.

Regulation 1331.6. (Continued)

History: Effective October 1, 1959.

Amended effective December 12, 1963.

Amended effective October 12, 1966.

Amended December 5, 1968, effective January 8, 1969.

Amended March 9, 1994, effective November 20, 1994. Added "or wholesaler" where previously the regulation only mentioned "vendor."

Deleted obsolete effective date in first paragraph. Deleted confusing reference "during any subsequent reporting period." Added gender neutral language. Changed confusing references to "user" and "vendee" to "purchaser."

Amended December 9, 1998, effective September 29, 1999. Deleted references to "wholesaler" and "monthly". Updated references to Board form.